

Biomass Working Group Meeting
DNRC Forestry Division Headquarters, Missoula
March 23, 2010
Meeting Minutes

Attendees: Brian Spangler, Craig Rawlings, Joe Kerkvliet, Rich Lane, Julia Altemus, Dave Atkins, Vickie Walsh, Skye Hatten, Nate Anderson, Roger Ziesak, Jim Durglo, Martin Twer, Shawn Thomas, Chuck Roady, Rob Ethridge, Todd Morgan, Steve Hayes, Peter Kolb, Julie Kies. By phone: Sonya Nowakowski, Howard Haines, Angela Farr, Alison Berry, Mark Vosburgh, Ellen Simpson, Nick Leslie, and perhaps others I missed.

Agenda

Biomass Crop Assistance Program (BCAP)—Dave Atkins

Air permitting for wood grinders—Vickie Walsh, DEQ

EQC update

Working Group participation list—have you chosen? Invite others to participate?

Harvest Guidelines Sub-Group update

Minutes

BCAP: Dave Atkins, WFLC talked about the Biomass Crop Assistance Program (BCAP) and the currently open comment period for program rule-making. Comments are due to Farm Service Agency by April 9, 2010. Dave highlighted some of the key issues to pay close attention to in the new rules, especially with consideration of potential for unintended consequences: definitions, payment options, and qualifying eligible materials. He stated that the new, proposed rules exclude residual material from forest product manufacturers (i.e. post and pole plants). BCAP funds are not to be used for payments on materials that might otherwise be used for a higher-value product. The intent behind this is not to divert material from traditional wood product manufacturers (i.e. MDFB and OSB). There is a proposed definition of “renewable biomass” which includes materials from pre-commercial thinning, treatment by-products, etc., while excluding old-growth and large diameter trees. Material can come from state, federal, tribal and private lands. There is specific language related to private lands which requires that in order for material from private lands to be eligible, there must be a stewardship -type plan in place that is recognized by the state forester. Dave suggests being careful to note that in the NOFA, some items are in the comments, but not in the rules. He suggests submitting comments addressing the rules.

Dave described the three proposed payment options in the rules:

1. Two-tiered pricing structure where matching payments are up to \$45/BDT for materials that are going to production of cellulosic ethanol and other liquid bio-fuels. A question was raised as to whether/not this included syn-gas, and H.Haines suggested it likely does not include syn-gas. Other tier is \$16/BDT for material that goes to any energy generation besides cellulosic ethanol.
2. Payment up to \$45/BDT for new energy systems. Existing energy systems would not qualify unless the facility was increasing their energy production output. It would be difficult to identify the baseline production with this. This payment option would affect a pellet plant, as an example. Dave thought this option would probably be the worst option for Montana.
3. Up to \$45/BDT for full conversion, liquid fuels and energy that is above the baseline. I was not present to take full notes on this topic.

BCAP is currently authorized through Sept. 30, 2012 through the Farm Bill. The new rules are expected to be released in Aug/Sept 2010. There is some public concern that people will convert fields to woody energy crops. Producers only qualify for 2 years. There was a suggestion that maybe BCAP rules should be flexible from state to state, dependant on current products, supply, markets, users, etc.

Air permitting for wood grinders: Vickie Walsh, DEQ gave a powerpoint presentation that can be viewed the BWG webpage. The presentation describes the existing air permitting regulations that might affect permitting of wood grinders. Vickie pointed out that these are not new rules and there are currently at least 6-7 active permits out there for wood grinders in MT. The regulations and thresholds for permitting are based on pollutant levels and not source types/sector. Potential pollutants from wood grinders may include dust and engine combustion products. Vickie clarified the definitions of "mobile", "portable", and "stationary" sources. "Mobile" describes a piece of equipment that is emitting while in perpetual motion such as a skidder, car, train, plane. "Portable" describes equipment that can be moved/mobile, but when operating it is stationary and generating site-based emissions such as a sand/gravel crusher, wood grinder, etc. There are public notice requirements for when your equipt transfers to a different location. There is no expiration date of permits, but there is an annual operating fee between \$600-\$800. DEQ uses EPA emission factors for specific sized engines to determine combustion pollutants. A "minor source" may require a permit when it is shown to have the potential to emit more than 25 tons/year of pollutants. That "potential" is based on emissions possible if machine was running at max capacity 24/7/365. Permits may be issued per machine/per business.

There was stated concern of whether the transfer of location notification was required at the project-level, forest-level or ??

There is a Board of Environmental Review and Clean Air Advisory Committee that meet every-other month or so. Folks can bring concerns regarding rules/permit costs to them.

Someone raised the question as to what other states are doing/how they regulate? Angela mentioned that Arizona is currently looking at allowing permitting exemptions for activities that mitigate air impacts. For AZ, they are looking specifically at their dust storms as exceptional events. For Montana, this might look like an exemptions for grinders that contribute to wildfire mitigation/reduced open slash pile burning. Vickie did mention that in Montana, grain elevators have an exception to the permitting which factors in how often the machinery is operated. A "registration system" might be an alternative option to permitting, but there are pros/cons to this.

Vickie stated that DEQ is open to talk with logging contractors to learn more about the forest industry and operations and to explore options outside of the current permitting structure that may be more flexible, workable, and less onerous. Ellen Simpson will coordinate a meeting w/DEQ to further discuss. Those interested in being a part of this discussion should contact Ellen or Julie Kies.

EQC update: Minutes and presentations from March 4-5 EQC biomass hearing are available at http://leg.mt.gov/css/committees/interim/2009_2010/environmental_quality_council/Meeting_Documents/meetings.asp. Sonya presented the Draft Report. Bob Harrington presented the recommendations on behalf of the Biomass Working Group. John Fitzpatrick with Northwestern Energy commented that some of those recommendations are less workable for NW Energy, though he supported some. Bob H volunteered that DNRC/Working Group will get together w/ NW Energy to work together on viable options. We hope to have someone from NW Energy at our next Working Group

meeting. There was additional public comment regarding the air permits for wood grinders. EQC suggested that DEQ get together with logging contractors to discuss.

Brian Spangler highlighted the presentation given by Dave Sjoding and Washington's success in utilizing the University system to conduct biomass-related research. Perhaps we can do more with our MUS in MT.

The next EQC meeting is May 6 and 7 where EQC will have to finalize their recommendations and suggest new legislation, if deemed appropriate. The co-gen feasibility studies for NW Energy and Porterbench Energy should be complete by last week of April. These will help to inform EQC decisions.

Working Group Participation: Julie Kies asked that everyone verify whether they had been placed in their chosen participation category. And to think about if there are other people/interests not represented in the group that should be invited to participate. Todd Morgan suggested we invite Brian Kerns, UMCOT. It was suggested that the working group clearly define our decision-making process. This will be an agenda item at the next meeting.

Harvest Guidelines Sub-Group update: The BMP sub-group has morphed into this group, with a goal to address resource issues of concern related to biomass harvest. Minutes from their 3/22 sub-group meeting can be viewed on the working group webpage. Sub-task groups were formed to do the following: review MT's existing pubs on voluntary wildlife guidelines to identify gaps and suggest revisions; contact other states DNR offices to gauge their harvest activities and give MT a better sense of what we might anticipate; compile most current reference materials related to biomass harvest; review biomass harvest guidelines from other states to inform development of MT's; explore considerations for soils.

Next Meeting: Tuesday, April 27, 9 am-12pm
DNRC Southwest Land Office, Missoula